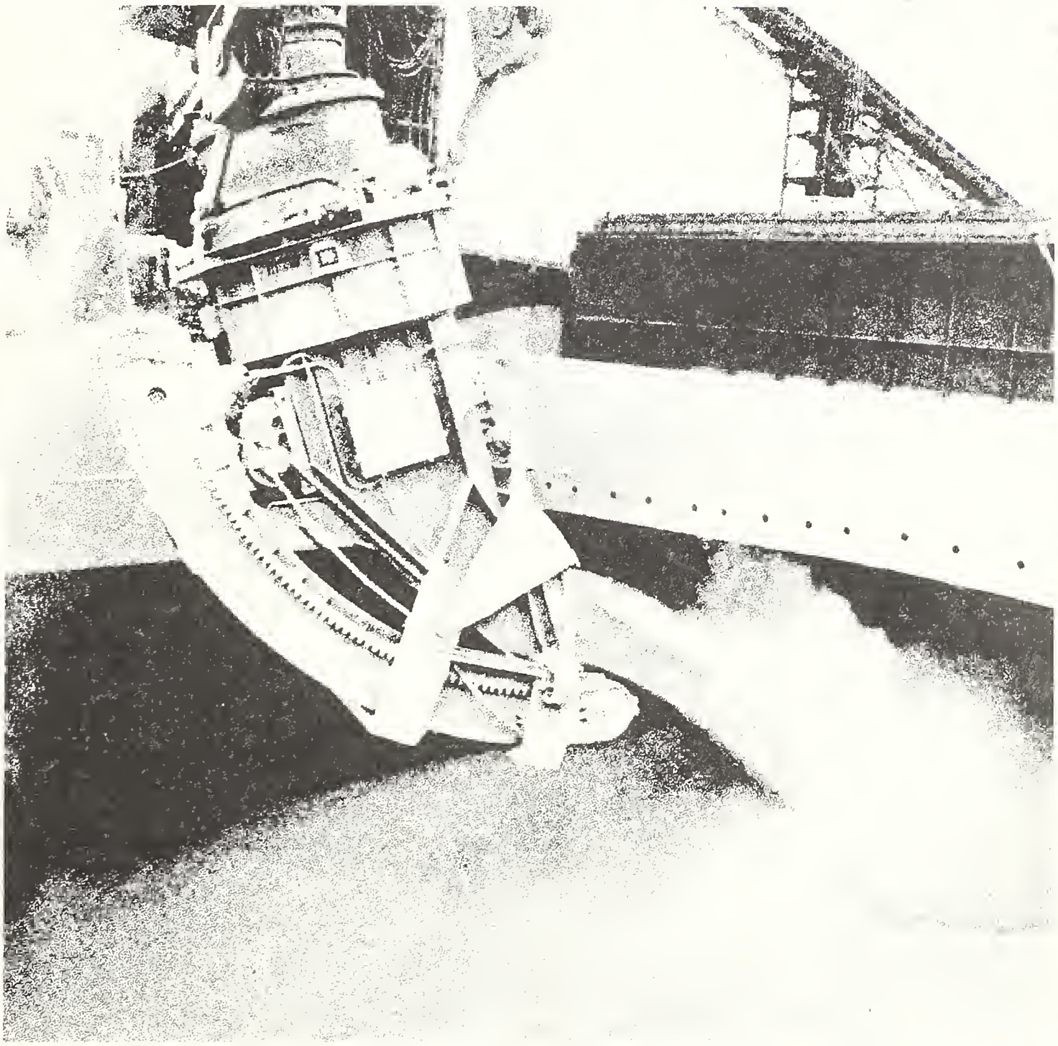
Producers Export Company: The Beginnings of Cooperative Grain Exporting

United States Department of Agriculture
Economics, Statistics, and Cooperatives Service
Farmer Cooperative Research Report No. 15

Bruce Reynolds

PEC/1958-1969/PEC/1958-1969



PEC/1958-1969/PEC/1958-1969
PEC/1958-1969/PEC/1958-1969
PEC/1958-1969/PEC/1958-1969

Producers Export Company: The Beginnings of Cooperative Grain Exporting, by Bruce Reynolds. Cooperative Marketing and Purchasing Division; Economics, Statistics, and Cooperatives Service; U.S. Department of Agriculture. Farmer Cooperative Research Report No. 15.

ABSTRACT

Formation of the Producers Export Company (PEC) in 1958 was a first attempt by grain cooperatives to develop an export merchandising program. PEC's nationwide membership had different export needs and financial resources which imposed constraints on PEC's strategy and operations. A lack of consensus by the directors prevented them from effectively adapting and changing PEC's methods of operation. This historical report explores the development of PEC and analyzes reasons for its termination in 1969.

KEYWORDS: Exports, marketing, cooperatives, interregional, regional, grains.

PREFACE

This report was researched primarily from the records of the National Federation of Grain Cooperatives for the period Roy F. Hendrickson was its Executive Secretary. These records contain the minutes of Producers Export Company board and committee meetings, financial records, and a substantial collection of letters. Quotations and descriptions of the participants' viewpoints appearing in the text are from these records. They are located at the Department of Manuscripts and University Archives, Cornell University Libraries, Ithaca, New York, 14853. Information was also obtained from interviews with individuals who participated in the PEC venture and assistance was provided by the Grain Division of the National Council of Farmer Cooperatives.

Washington, D.C. January 1980

CONTENTS

HIGHLIGHTS

Cooperative grain marketing embarked on an export phase of development in 1958 with the establishment of Producers Export Company (PEC) in New York City by 19 (later 22) regional cooperatives.

A lead role in formulating the PEC strategy was taken by Roy F. Hendrickson, Executive Secretary of the National Federation of Grain Cooperatives. He believed cooperative grain exporting should be developed as a united effort by the regionals.

PEC was established with resources that were sufficient only for operating as an export broker and jobber, and it was expected to gradually develop export merchandising capabilities.

The acquisition and control of port elevators was carried out by PEC's member regional cooperatives.

PEC experienced losses and operational problems which the directors believed were the result of not having greater departmentalization for specializing in the export of the different grains handled by its nationwide membership.

The directors and the manager were unable to work effectively in implementing departmentalization and other types of organizational or strategical change.

The PEC system of having the member regionals of an export interregional organization manage and control port elevators was identified as a strategical problem during the late sixties.

Seven regionals invested in a port elevator project in the New Orleans area and established their own export merchandising operation called Farmers Export Company (FEC).

In 1969, PEC was terminated after approximately 10 years of operation. FEC is currently building a nationwide membership and is operating three port elevators.

The constraints PEC encountered were: (1) inability of directors and management to change and adapt the organization's strategies and methods of operation and (2) the system of having an export cooperative with member control of port elevators.

PRODUCERS EXPORT COMPANY

The Beginnings of Cooperative Grain Exporting

Bruce Reynolds
Agricultural Economist

INTRODUCTION

Formation of the Producers Export Company (PEC) in 1958 was a first attempt by grain cooperatives to develop an export merchandising program. This report explores the development of PEC and analyzes reasons for its termination in 1969. This history can help co-op managers and directors carry out future efforts to consolidate and unify cooperative grain exporting.

The exporting of U.S. grains has become approximately a $10 billion industry during the seventies, and it is projected to continue growing for at least the next two decades. Expansion in U.S. grain exports has had a favorable impact on farm income in addition to other benefits for the general economy. There are two channels in which exports can affect farm earnings: (1) by raising prices that farmers receive in local markets and (2) through the opportunity of their sharing in the export earnings of their cooperatives. The latter channel for distributing export earnings to the farm level has potential for significant growth. Currently, grain cooperatives have about a 9 percent share of direct grain export activity but handle about 40 percent of U.S. farm sales of wheat, feed grains, and soybeans. In addition, the expansion of cooperative exporting would have a beneficial impact on farm prices received by increasing the competitiveness of the grain export industry.

Cooperatives have been exporting grain regularly for only 20 years. Some multinational exporters have been operating well over a century, making co-ops relative newcomers to the export field. The marketing activity of grain cooperatives has expanded in stages over the last 100 years. American farmers began establishing local grain elevator co-ops during the late 19th century. A second stage of development occurred during 1911-32, when many local elevator co-ops facing extinction sought to improve their earnings by establishing regional organizations for merchandising in the terminal markets. The regionals sought to overcome boycotts imposed by the terminal merchants on their gaining representation on some of the major boards of trade. They were successful in a few cases.

The outbreak of global depression in 1929 brought the exporting of U.S. grains to a standstill that persisted for the most part until after World War II. Expansion of cooperative grain marketing, to a large extent, occurred during a period of unfavorable market conditions when U.S. grain export activity was dormant. The Great Depression ushered in a period of tight Government control over the grain market. In 1929, the Federal Farm Board established a nationwide cooperative organization, the Farmers National Grain Corporation (FNGC), for managing an orderly marketing system and for strengthening grain cooperatives. Although the FNGC was not a Government agency, it sold most of its grain to the Grain Stabilization Corporation. When the

Federal Farm Board was terminated in 1933, the FNGC participated in the programs of the Agricultural Adjustment Administration. Eventually it became evident to many cooperative leaders that Government involvement with grain marketing was stifling cooperative enterprise and that the autonomy of the regionals would be a more viable growth path. The FNGC was dissolved in 1938, and the regionals then had to redevelop their merchandising operations.

With the growing importance of exports after World War II, grain cooperatives entered a third stage--the development of export merchandising. The executive secretary of the National Federation of Grain Cooperatives (NFGC), Roy F. Hendrickson, had explored the feasibility of cooperative grain exporting in 1947, but postponed making a proposal to the member regionals because of their investment at that time in the expansion of interior elevator facilities. By 1958, largely because of Hendrickson's leadership and mediation efforts, 19 regionals agreed to establish an interregional cooperative, Producers Export Company (PEC), headquartered in New York City.

Hendrickson and the regional managers believed that establishing an export entity in New York City, then the center of U.S. grain exporting, would inaugurate the development of a vertically integrated cooperative export system. Although PEC was started with modest resources of its own and primarily had export brokerage and limited jobbing capabilities, the strength of its member regionals in originating grain was expected to provide a firm foundation from which to develop export merchandising capabilities. The growth path the member regionals envisioned was that PEC would eventually increase its direct export activities and open offices in the major foreign markets. Concurrent with PEC's growth, the regionals would expand their control of port elevators.

The PEC venture was terminated after 10 years because of the organization's inability to make timely changes necessary to improve its performance. The member regionals were unable to make critical decisions and to work effectively with the PEC manager. PEC's demise was primarily the result of behavioral and attitudinal conflicts among members and management, which lends itself to analysis as a case history.

PEC OBJECTIVES

The member regional managers, also serving in the capacity of directors, believed PEC would augment their merchandising programs. Returns from PEC operations, in their view, were a secondary and subordinate objective to that of its anticipated impact on the operations of the respective regionals they managed. However, the extent to which PEC would improve earnings at the regional level depended on its ability to develop export merchandising capabilities. Given the modest resources invested in PEC at the start, its primary objective was developmental.

The directors were, for the most part, inexperienced in grain exporting and expected PEC to provide information about the grain export business that was then, and still is, highly secretive. An important objective for establishing PEC was to obtain some measure of what margins were from exporting, just as locals had learned about margins in the terminal markets from their regionals. The directors intended to continue their dealings with the multinational exporters and hoped that PEC would become a means of strengthening their bargaining positions.

Another objective was to assist the regionals in expanding their control of port elevators. PEC was expected to provide a means to survey the economic justification for producers owning port elevators. The directors believed PEC's involvement with the export market would help identify the best locations for elevators and estimate facility throughputs.

The regional managers' objectives for establishing PEC could have been accomplished without organizing at the national level. The capital and volume needed to operate an export cooperative of PEC's scope did not require participation by 19 regional cooperatives. PEC was capitalized at $800,100, and the PEC members had combined annual net margins of about $20 million in 1958. PEC's administrative expenses during its first 3 years of operation averaged about $137,000 which could have been supported by the volume from any three of the larger or five of the smaller regionals.

The planning and leadership for establishing an interregional with nationwide membership was the work of Roy F. Hendrickson. Reluctance on the part of some regionals to participate in the joint venture required him to carry out extensive promotional work. Even with his influence, two NFGC members--the Farmers Union Grain Terminal Association (GTA) and a relatively small regional--chose not to participate in PEC. The regionals would have probably pursued a different strategy for export development without Hendrickson's contribution, either as individual programs or as interregionals with more geographically concentrated memberships than PEC's.

A STRATEGY OF NATIONAL COOPERATION

As a lobbyist for the grain regionals and as a proponent of cooperative principles during his early professional career, Hendrickson was committed to the expansion of inter-organizational cooperation, a philosophy not fully shared by the regional managers (1). 1/ His commitment to nationwide cooperation, however, should not imply that he opposed alternative strategies to PEC in principle. He advocated the PEC approach on economic grounds, with awareness of the obstacles it would encounter. He advanced three major reasons why organizing PEC would be the most efficient and effective strategy for developing cooperative export merchandising expertise:

. avoid the cost of duplication

. reduce competitive disadvantage

. utilize the potentials of the cooperative system

Avoid Duplication

A major reason behind many cooperative mergers and joint ventures is the elimination of duplication of staff and facilities. Hendrickson believed that in embarking on the export phase of cooperative grain marketing, the regionals had an opportunity to avoid duplication from the start in setting up an office in New York City and in lining up agents in the major commercial markets. However, it has become less important within the last decade to be located in New York City because of improved courier and wire services. Duplication by the regionals with regard to an office in New York City and agents would have been wasteful and would have made the opportunity for future consolidation more difficult. Mergers are sometimes resisted by management because of a perceived reduction in staff and realignment of authority.

PEC provided a potential means for avoiding duplication in another area of export infrastructure, the building or leasing of port elevators. Although Hendrickson and the directors did not establish PEC as an organization for acquiring cooperative ownership of port elevators, PEC did lease facilities and throughput rights for short periods of time. PEC also was a potential organizational medium for coordinated

---

1/ Underscored numerals in parentheses refer to parts of the Chronology section of this report.

planning of investments by regionals in port elevators and for promoting joint investments by geographic groupings of regionals.

Reduce Competitive Disadvantage

A second and more important reason in Hendrickson's view for creating a nationwide interregional export cooperative was to restrain the intensity of competition between the regionals for bids from the multinationals. The effect of some extreme incidences of intercooperative competition was to put downward pressure on the prices regionals could offer for their grain. Although each regional's offering prices varied according to their individual market positions, there was a tendency for multinational exporters to play one regional against the other so that offering prices might be lowered in response to some other regional's offer. No evidence was found from these years to show that the regional cooperatives ever teamed up to discuss their offerings. In fact, Hendrickson reported that competition among cooperatives sometimes led to personal disputes and careless accusations between regional managers. He believed this type of debilitating competition would abate if the regionals shared an export organization.

Hendrickson did not expect that the regionals would move an appreciably large portion of their volume through PEC initially due to the modest resources it possessed at the start and, also, because it was a new enterprise. However, he believed PEC's value would quickly be realized through its providing alternative bids to those of the multinationals. Hendrickson cited examples from the early history of the regionals when many were operating with negligible volume, but were highly valued by their member locals because they always provided a bid that would help prevent the terminal merchants from driving down offering prices. The ability of an interregional cooperative to have a similar impact by increasing the competitiveness of export bidding would depend, in Hendrickson's view, on the regionals uniting behind one organization. If different groups of regionals were to establish separate interregional export organizations, the same structure of intercooperative competition that existed at the regional level would be recreated.

Utilize Cooperative Potential

Grain cooperatives had developed an effective delivery network from country elevators to terminal markets in most of the major production areas in the United States. In the aggregate, cooperatives could provide an export merchandising operation with highly effective origination capabilities to multiple port areas. Hendrickson reasoned that since expansion of cooperative grain marketing activity in the past had been a step-by-step process of building upon internal resources, the same process should work in attempting to enter the export field.

Hendrickson formulated the PEC strategy with an awareness of several alternatives, including those that relied on going outside the cooperative system. In retrospect, if the regionals had chosen to pursue a strategy of acquiring outside resources, either by linking up with a private grain export firm or by hiring an experienced trader from one of the multinationals, they would have reduced the uncertainties of attempting to develop capabilities internally. However, since the regional managers wanted to control an export entity to obtain information on margins and to strengthen their bargaining posture with private exporters, they would have viewed a joint venture with an outside firm as defeating their purposes. Hendrickson believed that resorting to going outside in the case of joint ventures would have amounted to an admission by the managers to farmers that their cooperatives lacked adequate business acumen, resources, and commitment to cooperation. Further, Hendrickson recommended one of the oldest and most respected regional managers for PEC. Apparently

Hendrickson's manager-designate turned down the offer or the PEC directors may have opposed the hiring of a regional manager without first attempting to recruit an experienced export trader.

There was agitation from some of the regionals throughout PEC's 10 years of existence to invest in the hiring of top managers from private export firms or in obtaining a study from outside consultants. Hendrickson opposed this agitation by pointing to the fact that the potential of the cooperative system had yet to be fully utilized. In 1967, he wrote:

> There are all sorts of people who have one-pill solutions, most of them below the standard of medication or treatment needed. For example, with some people it is a question of hiring a supposedly capable manager at a very high price. That is no solution to anything, necessarily. Others want an outside study. Sometimes these are good, more often a waste of money or too oversimplified or too incomplete to provide the answers. ...Simple, honest recognition of the need to think and act cooperatively is the No. 1 fundamental.

Hendrickson steered PEC along a course of attempting to develop export capabilities by drawing upon the physical and human resources of the cooperative system. As it turned out, a strategy based on nationwide cooperation proved difficult to implement but, failing that, Hendrickson did not see any assurance or justification that hiring outside resources would induce support and commitment by the regionals. If the regionals, from his point of view, lacked the capacity for interorganizational cooperation and commitment, no amount of outside management expertise or professional advice could succeed in building a cooperative export merchandising system.

REGIONAL DIVERSITY AS AN OBSTACLE TO PEC'S DEVELOPMENT

Membership in PEC grew from 19 to 22 in 1960. It had a geographic distribution that encompassed wheat and feed grains (fig. 1). The members handled most major wheat varieties--hard red winter wheat from the Southwest, soft red wheat from Iowa to the East, and soft white wheat from the Northwest. The major feed grains--milo and barley from the Southwest and corn from the Midwest and Southeast--were represented. The regionals in the Corn Belt and the Southeast also had a rapidly growing volume of soybeans for the export market during PEC's 10 years of operation.

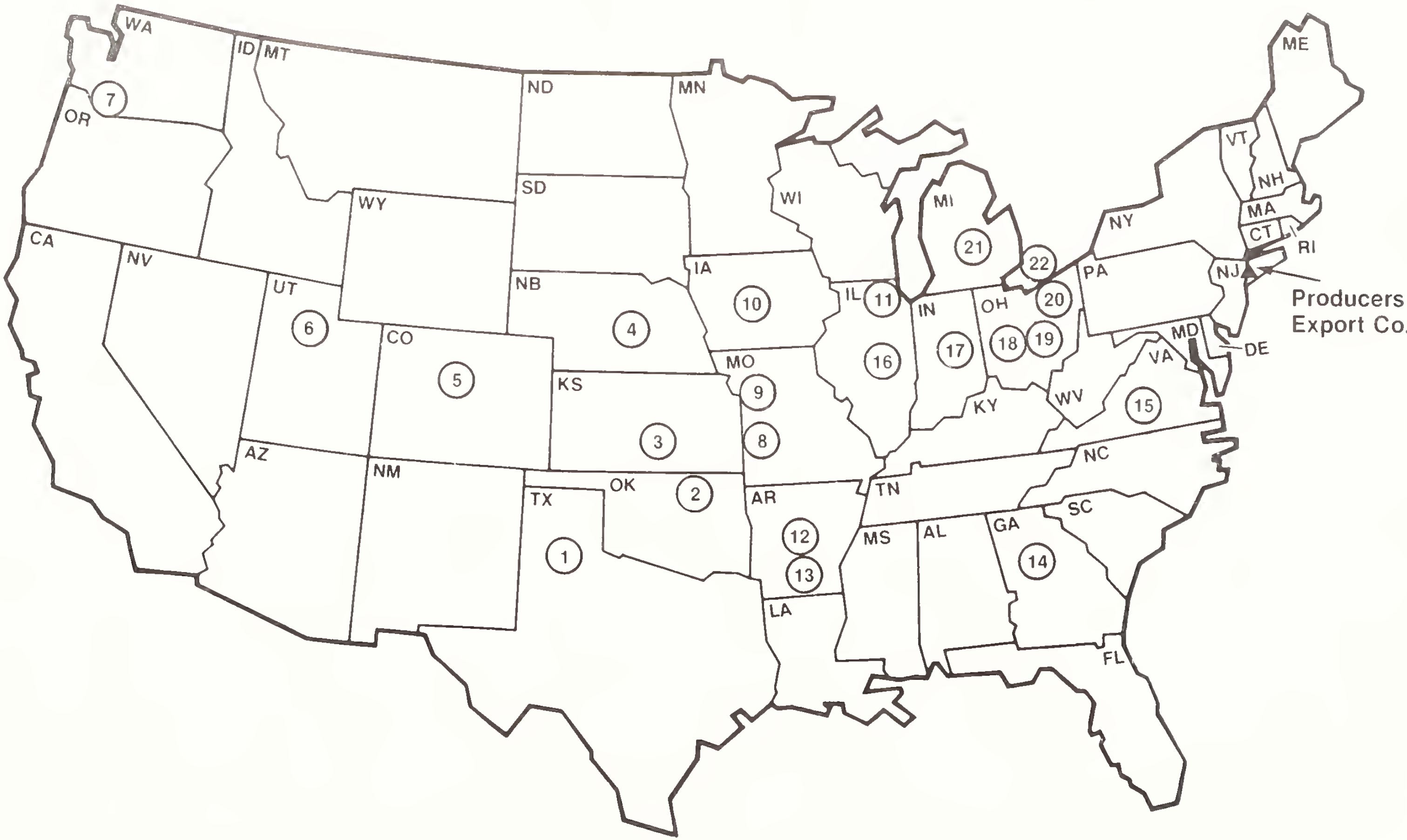
Differences existed in the nature of overseas markets for the commodities handled by the PEC members. Hard red winter, for example, has tended to be a larger export commodity for the United States than other wheat varieties. Feed grains and soybeans have a larger number of importers in the Western European market than wheat, so shipments are often parceled out to several buyers. Wheat is primarily imported by purchasing agents of foreign governments who usually buy entire cargoes f.o.b.

U.S. Government price support and export subsidy programs affected the commodities exported by PEC in different ways. Some regionals, for example, had wheat to move through the PL-480 program, which required brokerage services. Corn exporting, for another example, was affected by Government liquidation of Commodity Credit Corporation's (CCC) inventories at certain periods during the sixties, which created opportunities for exporters to accumulate inventories.

The export volumes of the regionals would have also been expected to vary because of differences in their geographic locations, transportation situations, and facilities. Some regionals were able to sell most of their grain in domestic markets, whereas others needed to move more volume to the export market. A few regionals had even begun to invest in flour milling and soybean processing plants, which reduced their export volumes. Some of the regionals with less access to domestic markets were

Figure 1

Headquarter Locations of Members of Producers Export Company



1. Producers Grain Corporation
2. Union Equity Co-operative Exchange
3. Farmers Cooperative Commission Company
4. Equity Union Grain Company
5. Farmers Union Terminal Elevator, Inc.
6. Farmers Grain Cooperative
7. North Pacific Grain Growers, Inc.
8. Farmers Union Jobbing Association
9. M.F.A. Grain and Feed Division
10. Farmers Grain Dealers Association of Iowa
11. Illinois Grain Corporation
12. Arkansas Grain Corporation
13. Arkansas Rice Growers Cooperative
14. Cotton Producers Association
15. Southern States Cooperative, Inc.
16. United Grain Company
17. Indiana Grain Cooperative
18. Ohio Equity Exchange Company
19. Farm Bureau Cooperative Association
20. Ohio Farmers Grain Corporation
21. Michigan Elevator Exchange
22. Mid-States Terminal, Inc.

planning to invest in port elevators. Most PEC members had to use the public houses at the ports which complicated the process of shipping and vessel loading for PEC compared to arrangements with those possessing port elevators. Port areas also varied according to the extent of problems with demurrage experienced by shippers.

PEC had the task of managing a multicommodity export program that needed to be balanced to some degree with respect to the volumes handled for the members. This task was critical because PEC's structure consisted of members who represented different commodity interests, and its importance was perceived at the start. During the planning stage for PEC, Hendrickson observed:

> The problem of getting a proper balance with respect to the efforts of the organization to suit the needs of cooperatives in each region and the farmers of each region will not be easy at the start or, perhaps, at any time.

He realized that if the strategy of building export capabilities within the structure of a nationwide membership was to work, PEC could not, for any extended period of time, specialize or concentrate on any one line of business for a particular group of regionals.

Private exporters have the capability to enter and exit from various commodity operations as they choose. Corporations typically pursue commodity diversification as a strategy for spreading their risks. They are able to emphasize their comparative advantages in certain commodities or services and, if necessary, reduce or exclude those that prove to be less remunerative. PEC did not have that type of flexibility.

The directors were committed to PEC's development to the extent that it was able to serve the particular commodity interests of the regionals they managed. If PEC was unsuccessful in its dealings with some members, their continued use and support would decline, and the resulting imbalance would undermine the capacity of the regionals for unified planning and investment in the company's growth.

ORGANIZATIONAL STRUCTURE AND PARTICIPANT ROLES

The directors and Hendrickson took steps to prevent, insofar as possible, substantial losses in the beginning or an imbalance in the types of commodities handled. One step in this direction concerned the provisions that were made to assure democratic representation of member interests among the board of directors. A second step was to select a manager who would be committed to PEC's development, while at the same time be willing to operate in a conservative and cautious manner. The manager's role was not rigidly defined because the directors believed in the importance of managerial initiative. It was the directors' responsibility to give management adequate inducements to develop PEC's export capabilities. In this regard, a third preliminary step was the creation of mechanisms for strengthening interaction and communication between directors and management.

Directors

Each grain regional that was an NFGC member could belong to PEC by pledging a minimum of $5,000 to its capitalization. Capital subscriptions varied from $5,000 to $100,000, but large contributors were not entitled to extra voting power. The one-man, one-vote principle was adopted so as to avoid any legal uncertainties about PEC's status as a cooperative. An executive committee of five members from the board was formed for the purpose of assuming leadership in general policy formulation and in providing direction for management. The president of the board also served as chairman of the executive committee. The PEC bylaws provided for annual rotation of

officers and, by an unwritten provision, the five-member committee was to be as geographically representative as possible. The purpose of these provisions was to promote a balanced export program for the regionals.

The yearly rotation scheme of officers was dropped in 1962 by a revision in the bylaws. The initial concerns of directors about having their regional's export needs adequately pursued by PEC seems to have given way to a desire to not be encumbered by additional responsibilities. In addition, it was believed that rotation of the presidency diminished the effectiveness of the role. The new president, under an annual rotation system, would have to familiarize himself with PEC operations and policies and would not have the opportunity for continuous appraisal and direction over a longrun period.

Management

The establishment of an export enterprise placed more responsibility upon management than just carrying out trade activities. The PEC directors expected the manager to create and build an organization and a plan of development. One aspect of organization-building was the hiring and training of competent staff, as well as selection of PEC's foreign market agents. Another aspect was formulation and implementation of any programs by the manager that would foster PEC's growth. Examples of programs would be activities relating to market development or inducements to the regionals to build or acquire port elevators.

The directors also expected the manager to conduct his trading and organization-building activities in a conservative and cautious manner. They wanted PEC to follow a slow-paced growth path with only the incremental increases in risk exposure as might be needed to expand merchandising capabilities. This approach to risk aversion for PEC probably resulted in part from the directors' uncertainty about the export field, but seems to have also been reinforced by the need for a balanced export program (minimizing over time the profit and loss differences among commodities).

The directors' main criteria for selecting a manager was that the candidate have some demonstrated capacity for assuming the above responsibilities. Hendrickson conducted the initial round of interviews and narrowed the choice to two candidates for final selection by the executive committee. One of the two had received his apprenticeship in grain exporting from a large export firm but was known to be a high risk taker which Hendrickson viewed as "...manifesting an impatience which is wholly unsuited for careful, conservative growth and development program for PEC." The other applicant was selected because he had experience in grain exporting and in managing an export trade office. His grain exporting experience covered about 9 years with various foreign commodity trade companies in New York. He was responsible for opening the New York office of a foreign trade company. This type of experience, in conjunction with his work for the U.S. Government in overseas food relief efforts after World War II, was evidence, in the directors' opinion, of ability to manage both PEC's operations and its conservative growth objectives. The manager's weak areas were lack of familiarity with interior markets, particularly in feed grains and soybeans, and limited knowledge about cooperatives. The directors and Hendrickson expected these weaknesses to be remedied by certain provisions that were made for their having direct interaction with the manager.

Interaction of Directors and Management

PEC's strategy of cooperation required extensive interaction between directors and management. Teamwork within the PEC structure was critical because the manager was unfamiliar with the origination end of the business, while the directors were

unfamiliar with foreign markets and export mechanics. Interaction was also important in defining the manager's role. The directors did not submit a detailed description of the job, operating policies, or projected steps for PEC's growth.

Special arrangements were made for establishing adequate contact and communication between directors and management. The manager visited a couple of member regionals in each area of the country before opening the PEC office. A more important system of contact was the directors-in-residence program. Each member of the executive committee served a 2-month term with PEC. Each director would have eventually served a term in New York City, due to the initial provision for annual rotation of committee members. After the first few terms, the directors wanted a shorter period of residency, and the term was reduced to 2 weeks. The directors-in-residence program was terminated when the bylaws were amended in 1962 to remove annual rotation of executive committee members.

There were provisions in the bylaws for periodic meetings of the directors. PEC's annual meeting was held in conjunction with the annual NFGC meeting. Special meetings of the executive and other committees of directors were held more frequently.

Formal methods of communication, other than person-to-person and telephone, were also established. The president of PEC was responsible for preparing a series of progress reports that would supplement the annual report. These reports were more tightly organized and focused than the minutes of meetings. The purpose of the progress reports was to enhance planning and organizational changes.

The PEC staff prepared a marketing report that highlighted a few previous direct and indirect sales. The names of the companies handling the export functions and PEC's estimated margins were reported. This type of reporting activity seems to have been of less value in helping PEC than it was in helping the directors merchandise for their respective regional cooperatives. The marketing reports, in some cases, may have even assisted some member regionals in competing against PEC for export outlets.

Hendrickson carried out much of PEC's communications. He initially wanted no official title except that of consultant, but was later made a PEC vice president. As a consultant, he did not make specific recommendations on operations or formulate plans but, rather, he sought to improve understanding between directors and management. He familiarized the manager in the workings and behavior of cooperatives. He was also able to assuage some of the dissatisfaction of members with PEC. Hendrickson provided a kind of member relations department for PEC that fostered director and management interaction.

OPERATING PRACTICES

The manager of PEC conducted most of the company's trading activities on back-to-back f.o.b. sales terms in order to keep risk and financial needs at a minimum. A back-to-back sale required the regional to deliver f.o.b. specified port and, hence, to finance the shipment. PEC would take title to the grain and make payment to the regional when the grain was delivered to a port elevator. If the elevator operator and the direct exporter were not the same party, PEC received payment for title to the grain when it was loaded on the vessel. If delivery to port coincided with the loading of the vessel, PEC did not require operating credit for the transaction. PEC's back-to-back sales were similar to a brokerage operation, but PEC was a principal in the formal sense of taking title.

When conducting back-to-back sales with regionals that relied on public or noncooperative elevators, there was another reason besides risk and financial costs for trying to coordinate delivery to port with vessel loading. If the barges, rail

cars, or trucks were unable to unload at the elevator when the vessel was ready to load, the regional stood demurrage. If delays occured in loading the vessel for cost and freight (c.&f.) and cost, insurance, and freight (c.i.f.) sales, demurrage was for PEC's account. The port elevator had its own priorities in loading different vessels. Demurrage was usually avoided when dealing with a regional that owned or leased a port elevator.

Regionals that did not control a facility but were able to book elevator space would often commence delivery to port before PEC had made an export sale. It was easier for PEC to find a buyer once the grain was on its way to a port than for the regional to obtain elevation after agreeing to deliver in time to meet a vessel. PEC's function was almost exclusively that of a broker when a regional cooperative was moving grain to a port and PEC had to locate a buyer.

Almost all of PEC's forward commitments were hedged, but the manager was not always able to consummate a sale by the back-to-back system. Some regionals would make an offer but insist that PEC buy from them (take title and pay for it at the interior point of origination). In other cases, PEC had to acquire grain from nonmembers or from private elevators to cover a commitment. The manager limited PEC's forward commitments in terms of quantity and timespan according to what he thought could be handled by back-to-back sales so that operating capital needs and risk of changes in the basis would be minimized.

PEC had commission representatives in Rotterdam and Paris who were expected to solicit bids and be responsible for delivered sales, c.&f. and c.i.f., for expediting documentation and payments. PEC was responsible for financing the shipment when making delivered sales to foreign ports. Most of PEC's c.i.f. and c.&f. exports were in small lots, averaging about 2,000 tons and consisting of soybeans or feed grains. Delivered sales of these commodities accounted for approximately 5 to 10 percent of the volume PEC exported of them. The manager often located space on vessels chartered by other trading companies for c.i.f. and c.&f. sales. He chartered vessels for some of these foreign delivered sales.

The directors believed in delegating to management complete responsibility for PEC's operating practices. They did not impose any specific criteria, such as expecting a certain amount of delivered export sales compared to the amount of PEC's f.o.b. sales. Nor did the directors establish any standards for measuring trading performance because in the grain business each trade is a separate deal made under different conditions. However, some directors became critical of the manager's performance and his operating practices after a few years, when PEC began to have consistently poor results, both in terms of volume handled for most members and in terms of its profit margins.

OPERATING RESULTS AND MEMBER SUPPORT

For PEC to assume a lead role in cooperative grain exporting, it was important that its sales originated from a broad range of members and that it have growth in earnings. Most of PEC's earnings came from the fraction-of-a-cent-per-bushel payments by members on back-to-back sales. The manager had to handle a sufficient quantity of sales as well as to secure as high a margin per bushel from patrons as possible in order to operate at a profit under this system. Under conditions of low earnings, especially of operating losses, imbalance in member patronage brought about a split between the directors concerning appropriate support for PEC.

Distribution of Member Patronage

Three regionals--Union Equity, Producers Grain Corporation, and North Pacific Grain Growers--accounted for most of PEC's sales. During the first few years of operation, they provided about 80 percent of PEC's volume, and during the last few years, their percentage rose to about 99. The percent of patronage of PEC by States where patrons' headquarters were located is tabulated below. Volumes less than 1 percent are not recorded. Reporting the percentages by State is an imperfect representation of individual regional percentages because PEC handled a small amount of nonmember business, and there were two regionals during a part of this period in Arkansas, Illinois, and Ohio. Data were unavailable for PEC's first 3 months of operation in 1958 and for 1959 operations.

Percentage of patronage by States

	1960	1961	1962	1963	1964	1965	1966	1967	1968
					Percent				
Oklahoma	24	39	58	42	64	37	49	49	49
Oregon	35	15	31	30	13	21	12	25	25
Texas	23	25	5	2	22	30	37	25	25
Maryland	7	5	6	4	0	0	0	0	0
Illinois	1	4	0	5	0	5	2	0	0
Kansas	0	1	0	11	1	0	0	1	1
Michigan	3	4	0	4	0	2	0	0	0
Indiana	2	3	0	0	0	4	0	0	0
Ohio	1	4	0	0	0	1	0	0	0
Arkansas	4	0	0	2	0	0	0	0	0

Source: History and Statistics, Cooperative Unit, USDA, ESCS.

These percentages of State patronage are also imperfect because differences in the size of grain regionals in terms of their total sales are not taken into account. During the early sixties, some regional cooperatives had total sales in the range of $5 million to $20 million while others were in the range of $70 million to $100 million. If the regional cooperative's patronage of PEC were weighted by their respective size, the above percentages would be more even.

Differences in the size of regionals was not, however, the critical element creating imbalance in PEC's multicommodity export program. PEC was able to apply the back-to-back sales principle more effectively in making PL-480 sales than it did in

transacting commercial sales. The extent to which PL-480 accounted for PEC's total sales is tabulated below.

PL-480's portion of PEC total sales

	Total sales	PL-480	Percent of total
1958	$ 5,801,608	$ 3,000,000	52
1959	64,800,948	29,000,000	45
1960	78,456,087	37,386,552	48
1961	60,666,772	32,076,036	53
1962	50,787,095	24,812,384	49
1963	85,347,901	47,650,914	56
1964	100,899,820	61,993,520	61
1965	111,818,517	67,449,638	60
1966	152,695,208	65,160,795	43
1967	107,021,746	45,143,463	42
1968	108,091,963	(Unreported)	--

The majority of PEC's members were cut out of the major source of export business that PEC was able to solicit, because PL-480 was used only for minimal volumes of feed grains and not at all for soybeans. The wheat regionals in Kansas had less need for PL-480 because they had more access to domestic markets than did the wheat regionals farther south and in the northern Pacific. The slight patronage from these members was also the result of weaker support as compared to the regionals farther south. Since two stages of merging activity among regionals in Kansas and nearby States brought about the establishment of Far-Mar-Co., Inc., both the need and ability to move wheat shipments to the Gulf has changed from the conditions that existed in that area during PEC's period (2).

The potential role of PL-480 sales in PEC's operations was evident at the time the company was formed. With Hendrickson's knowledge of USDA's export disposal programs, it would seem he would have made reference to PL-480 in his proposal or in the planning of organizational mechanisms for maintaining a balanced program for PEC. Some former PEC directors have pointed out that Hendrickson wanted PEC to be primarily an export merchandiser. He believed the purpose of cooperatives was to give farmers greater independence from government programs. The fact that the impact of PL-480 upon the balance of member patronage may not have been given consideration at the beginning could account for some of the problems that PEC had in attempting to develop merchandising capabilities.

Earnings

PEC's earnings were relatively low in view of its sales volumes. As an interregional cooperative, PEC's earnings are not comparable to a private export company because of the difference in distribution of profits. A cooperative can operate by generating maximum returns to its members at the time of procurement, or it can take larger margins initially and then pay larger patronage dividends at the end of the fiscal year. However, PEC's development depended upon its ability to generate earnings for financing increased staff and becoming more financially self-sufficient to be able to function more as a principal trader than a broker. In addition, PEC's capitalization

was expected to increase so that members would receive dividends on their stock shares.

PEC earnings

	Profit or loss	Patronage dividend	Capital stock
Investment			$800,100.00
1958	$ 1,280.22	--	801,380.22
1959	151,153.44	$23,533.33	929,090.33
1960	(46,315.55)	--	882,684.78
1961	(97,162.59)	--	785,522.19
1962	(15,451.44)	--	770,070.75
1963	70,069.23	--	840,139.98
1964	36,817.72	--	876,957.79
1965	28,577.69	--	905,535.39
1966	(125,474.22)	--	780,061.17
1967	(3,198.49)	--	776,862.68
1/1/68-9/30/68	25,645.56	--	802,508.24

-- = No dividend.

Member Support

The lack of growth in earnings convinced those regionals who patronized PEC that the others were reluctant to cooperate. A director who managed one of PEC's major patrons criticized the other directors for not supporting PEC:

> ...Cooperative grain marketing must be extended beyond the regional level. Most regional cooperatives have simply not practiced what they preach. ...only 3 regionals are now utilizing the services of Producers Export Company. ...Sure, it is easier to sell 50 or 100,000 bushels to our competitor, and probably more profitable today, than to make the necessary effort and take the risk of retaining this volume to export cooperatively. This is the short-sighted view, however, and this will never accomplish our ultimate objective; indeed, it will prevent us from attaining it.

The extent to which those regionals that did not patronize PEC were also uncooperative in their support cannot be measured. The regionals used PEC whenever they could obtain bids that were in line with prevailing market prices. Some directors claimed to have given PEC first refusal on any grain they had to offer, even if alternative bids were a half cent higher per bushel. Yet, one regional that gave first refusal only moved 20 percent of its export volume through PEC which indicates that PEC was often unable to provide competitive bids.

One reason for PEC's losses was due to its having done a considerable amount of extremely low and even nonmargin business. Many regional managers found PEC's bids too low to allow payment for its brokerage service. The PEC manager is reported to have pleaded for a 3/8 cents per bushel margin on many transactions. At times, he conducted nonmargin business. In the opinion of some directors, support for PEC did not mean gifts but, rather, that PEC's margin per bushel had to be earned.

A second reason for PEC's losses was the problem that management experienced in covering forward commitments. PEC began to expand the volume of its forward commitments in corn exporting during the last 3 months of 1965. When it came time to consummate the sales, PEC experienced changes in the basis and difficulties in having shipments loaded at New Orleans. One incident was reported of a regional having shipped below-grade corn that could not be loaded on the vessel. PEC had to cover the sale by purchasing corn at New Orleans of the grade specified in the contract, which proved to be a very costly substitution. The end result of these conditions and episodes was a relatively large loss on 1966 operations.

DEPARTMENTALIZATION AND GENERAL MANAGEMENT

The directors believed PEC needed to establish greater departmentalization of its commodity trading, particularly in corn, and that the general manager needed to concentrate more on overall supervision and planning. The directors, however, could not agree on the length of time they should extend the manager for proving his ability to develop PEC. One faction began campaigning for his removal after the first 2 years of losses. A majority believed PEC's problems should not be blamed on management and that the manager should keep his position as long as there was no evidence of incompetence on his part. Evidence of the manager's unwillingness to carry out a program of departmentalization or delegation of responsibility was a major factor in the eventual decision to replace the manager.

Commodity Committees

When planning PEC, the directors had anticipated the importance of their functioning as information resources for the manager on interior markets. No formal action was taken to set up commodity-specific channels of communication until PEC began to experience losses. In 1962, the directors established commodity committees that met separately with the manager at different intervals each year. They hoped the commodity committees would encourage greater communication on market news and provide the manager with consultations about trading in particular markets.

The directors expressed concern at board meetings about preventing committee recommendations from being misconstrued by the manager as instructions to him. Despite their efforts to use the committees discreetly, some former directors recall their frustrations because the manager seemed to ignore their advice. They also reported he did not make an effort to keep up with daily prices at interior terminal markets.

The commodity committees represented a move in the direction of departmentalization, but their purpose was strictly to improve communications and not to give the directors a voice in PEC's trading decisions. The committees seemed to have had no impact upon PEC's operations, except to have brought about an erosion of trust between a faction of directors and the manager.

Commodity Staff Specialists

The recruitment of qualified staff for providing commodity specialization is a fundamental step in developing a multicommodity export organization. The importance to some regionals for PEC to improve its capabilities in exporting corn encouraged the manager to pursue the recruitment of an individual with trading experience in interior markets for that commodity. The directors from corn merchandising regionals participated in the search for an appropriate candidate.

PEC hired an individual from one of its regional members in late 1965 after more than 3 years of searching for an experienced corn trader. One reason for the delay in hiring may have stemmed from the lack of confidence that some of the directors had in the general manager. One director complained that he knew of some possible candidates, but he was unwilling to encourage them to work for PEC under the circumstances of having the present general manager continue in his position.

The directors advised the manager to delegate trading responsibility to PEC's new corn trader. During late 1965, PEC expanded its volume considerably in corn for delivery in spring, but adverse market conditions resulted in relatively high losses for 1966. The manager seems to have reacted to the losses on corn by reestablishing his policy of limited delegation of trading responsibility.

Decentralization

It became evident to the directors and the manager after 2 years of operation that an alternative for improving PEC's origination of corn and soybeans for export sales was to open a trading office in the Midwest. Several PEC members moved their volumes of corn and soybeans through the Mississippi Valley, with St. Louis being the major gathering, holding, and forwarding point to Louisiana Gulf ports. It was believed that an office in St. Louis would improve PEC's buying decisions and the logistics of shipping to the Gulf.

A point of contention emerged on the subject of the relationship between PEC in New York and the proposed St. Louis office. The feasibility study recommended that while a St. Louis office should have the flexibility to make its own decisions in "fobbing" to the Gulf, PEC New York would have the authority to program the sales of grain that PEC St. Louis acquired. In other words, New York would be responsible for export decisions (selling) and St. Louis would be responsible for origination (buying) decisions. A director representing the largest cooperative merchandiser of corn in the Mississippi Valley system refused to participate unless the responsibility for both buying and selling was fixed in St. Louis. He believed that any type of separation of the buying and selling decision would lead to merchandising anarchy.

The director who wanted a St. Louis office with complete responsibility for its own trading was from the same faction that wanted the PEC manager replaced. His desire for a St. Louis office, to be responsible for its own trading, seems to have stemmed not only from a disagreement about the appropriate system for managing export company offices, but also from a belief in the need to decentralize. In his opinion and that of other directors, PEC had demonstrated its ability to handle only PL-480 wheat shipments, and multicommodity exporting was not feasible under the current system. They believed that cooperatives should project a united front in grain exporting by keeping the PEC name but merchandising with separate divisions.

Disagreement on the arrangements for opening a new office eventually resulted in action being taken by two PEC members and one nonmember to set up an interregional in St. Louis. Past trading experience and the PEC study pointed out the advantages of operating a grain company in St. Louis. In addition, the three regionals involved were able to obtain a lease on a grain elevator on the Mississippi River. GTA, Illinois Grain Corporation, and Missouri Farmers Association established the St. Louis Grain Corporation in 1963.

Replacement of the General Manager

The PEC directors took action in late 1966 to hire a new general manager. The original manager had served for 8 years, and during that time PEC had not made any

significant progress toward accomplishing its development goals. The former PEC president has stated that, in retrospect, the directors had been tolerant beyond sound business practice in not replacing the manager sooner. Their major reason for postponing action during the early sixties, according to the president, was that the directors developed more appreciation for the difficulties inherent in the PEC manager's job than they had at the beginning. Hendrickson also helped to prevent the directors from voting the manager out sooner by advocating the need for patience and recognition that PEC's growth would be a gradual process. However, certain flaws in the manager's methods of conducting business became more evident by 1966, and Hendrickson acknowledged that new management for PEC was in order.

Hendrickson placed considerable importance on the ability of a manager for PEC to induce teamwork among the member regionals. The PEC manager, in the opinion of some directors, held fixed opinions regarding the system for conducting a grain export business. He did not initiate any programs or make changes in his methods of operating. He appeared to some directors to be unresponsive to suggestions. In addition, he was reported as having been too directly involved with PEC's trading activities and did not delegate trading responsibility to his staff. Failure to delegate in PEC's case probably had the effect of limiting the volume of trading activity and opportunities for more bids and market information. The lack of delegation also helps explain why the general manager did not plan programs for PEC's longrun development.

Some directors also believed that the manager did not execute his responsibility in recruiting foreign market agents who would function in PEC's best interests. Several directors had an opportunity to meet their agents while serving on U.S. market promotion teams in Europe during the mid-sixties. They perceived a lack of initiative by the agents in soliciting bids for PEC.

The directors realized PEC's most serious weakness was insufficient cooperative control of port elevators. Although the relative dearth of cooperative port elevators was a condition the PEC manager could not control, the directors felt he failed to present an adequate analysis of the problems of having to ship exclusively to nonmember facilities in the Louisiana Gulf area in particular. A few weeks before the manager was relieved of his position, the president and Hendrickson stated in a letter to him: "If PEC cannot export grain profitably, except through a facility owned or controlled by a PEC member or members, let that conclusion be stated so that directors can reach a firm conclusion on policy and program." Hendrickson, if not also the directors, had expected the manager to actively promote elevator projects among the regionals.

PORT ELEVATOR PROJECTS

Cooperatives were just beginning to invest in port elevators when PEC was organized in 1958. By the early sixties, a few regionals controlled elevators in Corpus Christi, Texas; Kalama, Washington; and Toledo, Ohio. The Louisiana Gulf and, to a lesser extent, the mid-Atlantic Coast were areas where the lack of cooperative port elevators constricted PEC's opportunities to conduct export sales. While export sales through a particular port can be handled by paying for elevation, a substantial sales volume provides an incentive for the shipper to control a facility.

Grain cooperatives made significant strides to improve their export capabilities during the sixties by expanding their control of port elevators. As this expansion occurred, several regionals decided to make a break with the PEC strategy for developing cooperative exporting. These regionals recognized the advantages of having

export merchandising and port elevator management functions kept within one organization.

Houston

Union Equity's facility in the Port of Houston, Texas, had been planned during the early years of PEC's operations. Union Equity attempted to organize an interregional from a group of PEC members for joint participation in the port elevator project. Meetings of grain regionals from Nebraska, Kansas, Missouri, Oklahoma, and Texas were held during 1961 for discussion of plans and arrangements. A few of the regionals initially expressed interest, and a charter was drafted for a new interregional to be called Producers Export Elevator, Inc. Problems in working out joint investment arrangements for building a new elevator brought negotiations to an end.

The regionals that abandoned the project felt they would have inadequate export volume to the Texas Gulf to warrant their making the level of investment the project required. They advocated an alternative of leasing space in one of the public elevators in Houston or Galveston. Union Equity was committed to owning a port elevator and went ahead on its own with construction at the Port of Houston.

Mid-Atlantic

PEC leased a facility at Locust Point, Baltimore, Maryland, between 1961 and 1963. PEC's objective in controlling a facility in the mid-Atlantic area was to expand its export sales for members in the east. The elevator was operated under a management contract by personnel from Southern States Cooperative. Payments to the owner, B&O Railroad, were determined by a throughput fee.

The Locust Point lease appears to have been the only instance of PEC controlling an elevator. An Atlantic Port Committee of PEC directors was formed that planned a "pipeline" system for optimal utilization of the facility. However, during the years of operation, volume through the facility was relatively low. The B&O Railroad declined to renew its lease with PEC in 1963 because of inadequate throughput.

The failure of PEC to provide adequate throughput at Locust Point was an example of its inability to manage multicommodity operations for its nationwide membership. Hendrickson repeatedly urged members to be patient with PEC's shortcomings in its early years, but the experience of the Locust Point lease contributed to a conviction by several members that they needed to establish their own export marketing organization in future port elevator projects.

New Orleans and Farmers Export Company

There was considerable discussion at PEC board meetings in the early sixties in regard to the feasibility of building a cooperative facility in the New Orleans area. The regionals often experienced barge demurrage and losses from being unable to blend their shipments to maximum tolerance levels for export contracts when using port elevators controlled by competitors. In addition, the regionals were spending substantial sums for elevation on the more than 100 million bushels of grain and soybeans they were shipping to the Louisiana Gulf during the midsixties. In 1964, a New Orleans port elevator committee of PEC directors was formed, and a feasibility study was made by the Farmer Cooperative Service (now part of USDA's Economics, Statistics, and Cooperatives Service).

The elevator project was adopted by a group of PEC regionals and GTA. After a couple of years of discussions on financial and organizational arrangements, the participants created a new interregional, Farmers Export Company (FEC), and selected Ama, Louisiana, as the site for its elevator (3).

The regionals participating in FEC chose to establish their own export marketing unit for the facility at Ama, rather than depend on PEC. The FEC regionals which belonged to PEC were to continue as members. However, disagreement existed between a faction of FEC members and Hendrickson as to the extent of FEC's separation from PEC. In Hendrickson's conception, FEC would do its own merchandising but use PEC as its export sales agent in the way Union Equity, Producers Grain Corporation, and North Pacific Grain Growers did. He hoped the new PEC manager would be able to gain the confidence of FEC members so that PEC would become the major export merchandising arm for grain cooperatives.

A faction of FEC members were opposed to the idea of any type of relationship with PEC for what appears to have been, primarily, internal political reasons. This faction consisted of many of the same directors who had wanted the PEC manager replaced during the early sixties, and the appointment of a new manager in 1967 seems to have been too late in their point of view. They believed Hendrickson was expecting FEC to "...revitalize a poor relative in PEC by making it the sales agent."

A few regionals that were members of both PEC and FEC supported Hendrickson's commitment to cooperative unity by suggesting the idea of merging the two grain export interregionals. The PEC directors moved the company headquarters to Kansas City, Missouri, where FEC's main office was located as a step toward a merger. The idea of a merger was an acknowledgment by the regionals that PEC's objective of becoming a nationwide organization for cooperative grain exporting was no longer viable because FEC intended to develop its own export marketing system.

The main obstacle to a PEC-FEC merger was the issue of centralized control of cooperative port elevators. The regionals which owned port elevators individually and benefitted from an export organization that provided brokerage services wanted the traditional PEC system to be maintained if a merger was to take place. Other regionals seem to have been opposed to a merger or may have wanted a system of centralized control of port elevators by a nationwide cooperative export organization. Discussions of a PEC-FEC merger came to an end with Hendrickson's death in late 1968. Three months later the PEC board voted to terminate the company.

AN APPRAISAL OF THE PEC STRATEGY

The PEC strategy for developing cooperative export capabilities as a nationwide organization proved to be unworkable. Specific problems relating to management, operating policies or member commitment became obstacles because of the directors' inability to reach a consensus on alternative courses of action. The experience of PEC does not demonstrate economic constraints but, rather, managerial constraints, stemming from both directors and general management, in operating as an organization with nationwide membership.

An alternative growth path to that of starting as a nationwide organization would have been for the regionals to have organized more geographically localized export interregionals. This type of strategy was expressed by the efforts of some regionals to decentralize PEC. PEC could have operated successfully as an interregional for the three grain regionals which had utilized its services. Organizing at the national level would probably have been more workable at a later period in the regionals' experience with exporting than it had been as a development strategy in 1958.

A second problem is that an export interregional cannot develop merchandising capabilities with a system of member control of port elevators. A grain merchant imparts place, time, and functional utility as is the case with any merchandising activity. A grain elevator enables the merchant to deliver where and when a buyer wants and to blend and condition the product for the buyer's utilization. The manager of PEC was operating as a grain export jobber, as did several other traders in New York City during the fifties and early sixties. Lacking the means to impart the three basic forms of consumer utility, PEC and other types of grain export jobbing companies have passed out of existence.

Most grain regionals were not prepared to invest in port elevator projects during the late fifties and early sixties. Substantial resistance was encountered in attaining nationwide membership, even with the low level of investment required for PEC; if membership had been for the purpose of investment in port elevators, few regionals would have joined. The system of having an export entity operate without control of port facilities was motivated by the high priority that Hendrickson had placed on unity and national cooperation.

Following the demise of PEC, the grain regionals have established successful export programs--some regionals are exporting under FEC, while others are operating profitably on their own. FEC has expanded its membership, and is operating elevators in three major ports. One member regional of FEC and other farmer cooperatives in the United States and Europe have signed a letter of intent to buy 50-percent interest in the Toepfer Co., a global trading firm headquartered in Germany. Clearly, grain cooperatives are making several important decisions regarding export development strategies, some of which may require substantial organization-building and interorganizational cooperation in the future. PEC's history provides experience and background information from which managers and directors may benefit in guiding current developments or in carrying out future efforts to consolidate and unify cooperative grain exporting.

CHRONOLOGY

(1) A chronology of Hendrickson's career helps explain his commitment to the development of cooperative grain exporting and shows some of his experiences that may have influenced the formulation of the PEC strategy.

1924 Journalist covering agricultural affairs for newspapers in Duluth, Minnesota; Sioux City, Iowa; and New England.

1932 AP correspondent in Washington, D.C.

1933 Assistant to the Director of the Subsistence Homesteads Division, Department of Interior. For a description of the impact that this division and Hendrickson had on the dissemination of cooperative principles see: Joseph G. Knapp, The Advance of American Cooperative Enterprise: 1920-1945 (Danville, Ill.), pp. 289-298.

1938 Director of Personnel, USDA.

1941 Administrator, Agricultural Marketing Service, USDA

1943 Director, Food Distribution Administration. (This change was the result of a USDA wartime reorganization.)

1945 Deputy Director General, Bureau of Supply, United Nations Relief and Rehabilitation Administration.

1946-1968 Executive Secretary of the National Federation of Grain Cooperatives. Hendrickson was the first full-time Executive Secretary of the NFGC, and he developed it into a highly effective trade association. He came to the NFGC by request of the manager of GTA, M.W. Thatcher, who had proposed its formation in 1939.

(2) The regionals that participated in the two stages of merging activity that led to the formation of Far-Mar-Co, are listed below:

A. Farmers Union Terminal Elevator, Denver, Colo.

B. Farmers Union Cooperative Elevator Federation, Omaha, Nebr.

C. Farmers Union Jobbing Association, Kansas City, Mo.

1962

A. Farmers Union Cooperative Marketing Association, Kansas City, Mo.

B. Farmers Cooperative Commission Co., Hutchinson, Kans.

C. Equity Union Grain Co., Lincoln, Nebr.

D. Westcentral Cooperative Grain Co., Omaha, Nebr.

1968

Farmers Marketing Co. (Far-Mar-Co, Inc.), Hutchinson, Kans.

(3) The following regionals founded FEC:

A. American Grain and Related Industries (formerly Farmers Grain Dealers Association of Iowa), Des Moines, Iowa

B. Far-Mar-Co., Inc., Hutchinson, Kans.

C. Farmers Union Grain Terminal Association, St. Paul, Minn.

D. Illinois Grain Corporation, Bloomington, Ill.

E. Missouri Farmers Association, Columbia, Mo.

F. MFC Services (AAL), Madison, Miss.

After 1968, FEC's membership grew to 12. Much of FEC's growth in membership was due to its expansion of port elevator operations to Galveston, Texas, in 1976 and Philadelphia, Pa., in 1979.

G. Indiana Farm Bureau Cooperative Association, Inc., Indianapolis, Ind.

H. St. Louis Grain Corporation, St. Louis, Mo.

I. Farm Bureau Services, Inc., Lansing, Mich.

J. Kansas City Terminal Elevator Company, Kansas City, Mo.

K. Landmark, Inc., Columbus, Ohio

L. Ohio Farmers Grain Corporation, Fostoria, Ohio

*U.S. GOVERNMENT PRINTING OFFICE : 1980 0-310-945/ESCS-34

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101
THIRD CLASS

U.S.MAIL

COOPERATIVE PROGRAM
U.S. Department of Agriculture
Economics, Statistics, and Cooperatives Service

The Cooperative Program of ESCS provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development

The Program (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell, (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency, (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs

The Program publishes research and education materials and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.